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FISCAL IMPACT STATEMENT

LS 7526

BILL NUMBER: SB 642

NOTE PREPARED: Jan 17, 2005

BILL AMENDED:

SUBJECT: Property tax deduction for senior citizens.

FIRST AUTHOR: Sen. Lanane

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill eliminates the assessed value limitation for the property tax deduction for the residence of a low income individual who is at least 65 years of age.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: The state levies a tax rate for State Fair and State Forestry. Any reduction in the assessed value base caused by this bill would reduce the property tax revenue for these two funds by a minimal amount.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law a person 65 or over is entitled to a deduction of ½ of their assessed value of property up to \$12,480. To be eligible for the deduction, the owners' combined adjusted gross income can not exceed \$25,000 and the assessed value of the property can not exceed \$144,000. The bill would eliminate the \$144,000 maximum assessed value limitation.

The over age 65 assessed value deductions in 2004 were about \$514.6 M. They totaled \$597.9 M in CY 2003 and \$611.6 M in CY 2002.

Additional deductions reduce the assessed value tax base. This causes a shift of the property tax burden from

the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. As an example only, a 10% increase in the value of the deductions would reduce assessed value by about \$50M and would cause an estimated \$0.0025 increase in the statewide average net tax rate in CY 2006. This translates into a property tax shift of about \$860,000.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

State Agencies Affected: State Fair; State Forestry.

Local Agencies Affected: All.

Information Sources: Local Government Database.

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